

Message Text

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ACTION EB-08

INFO OCT-01 AF-08 ISO-00 SP-02 USIA-06 AID-05 NSC-05
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E.O. 11652: N/A

TAGS: EIND, EINV, EMIN

SUBJECT: SELEBI-PIKWE: GOB-AMAX MEMORANDUM OF UNDERSTANDING

REF: A) GABORONE 408; B) STATE 41591

1. SUMMARY: AMERICAN METALS CLIMAX MEGOTITING REPS (VICE PRESIDENT MALCOM B. BAYLISS AND ROBERT M. THOMAS OF WAALL STREET FIRM SULLIVAN AND CROMWELL) PAID COURTESY CALL ON AMBASSADOR FEBRUARY 28 AND ANNOUNCED THAT AMAX HAD JUST WRAPPED UP MEMO OF UNDERSTANDING WITH GOB, THUS ENDING BITTER AND LONGSTANDING DISPUTE OVER GOB FINANCIAL CLAIMS ON SELEBI-PIKWE COPPER-NICKEL MATTE PROJECT. BAYLISS EMPHASIZED THAT TERMS WOULD ONLY BE FINALIZED AFTER SIGNING BY ANGLO-AMERICAN AND OTHER PARTNERS IN PROJECT. END SUMMARY.

2. CHIEF PROVISION OF MEMORANDUM ALLOWS BC), THE BOTSWANA COMPANY WHICH HANDLES SELEBI-PIKWE, AND ANNUAL THREE PERCENT OF ULTIMATE MARKET VALUE OF THE COPPER AND NICKEL CONTAINED IN THE MATTE. BAYLISS SAID THAT CONCESSION OF THREE PERCENT OF MARKET VALUE CAUSED RAL HEARTBURN AT AMAX AND REPRESENTED VICTORY OF BOB WHICH, IF ALL WENT WELL
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IN 1977, MIGHT MAKE AS MCUH AS PULA 3,000,000 (US DOLLARS 3,450,00) AND THE NEW TERMS. UNDER OLD AGREEMENT BOTSWANA WAS RECEIVING ONLY FIXED ANNUAL ROYALTY OF PULA 750,000 (US DOLLARS 860,000) PLUS 7.5 PERCENT OF THE PROFITS WHICH TO DATE HAVE NEVER MATERIALIZED. GOB HAD EARLIER REJECTED LESS FAVORABLE PROPOSAL OF PULA 1,500,000 IN ROYALTIES PLUS AN INCREASE IN THE PERCENTAGE OF PROFITS. THE NEW DEAL DROPS ALL MENTION OF PERCENTAGES

OF PROFITS AND OF ROYALTIES.

3. NEW AGREEMENT ALSO PROVIDES THAT AMAX WOULD PURCHASE THE MATTE IN ORDER TO PROVIDE THE BCL WITH A PREDICTABLE AND TIMELY CASH FLOW. THE OLD ARRANGEMENT, WE UNDERSTAND, PROVIDED THAT THE PRODUCT WOULD BE BOUTHT ONLY ON RECEIPT BY METALGESELLSCHAFT OF THE FRG. NOW, PAYMENT TIME TO BCL SHOULD BE REDUCED FROM SIX MONTHS TO SIX WEEKS.

4. CONCERNING ATMOSTPHERICS OF NEGOTIATION, BAYLISS AND THOMAS CONCEDED THAT TABLE POUNDING AND SHOUTING WERE NOT INFREQUENT OCCURRENCES, THAT THE GOB HARBORED DEEP SUSPICION OF AMAX AND ITS PARTNERS. BAYLISS HOPED THAT WITH THE NEW AGREEMENT, THE RESTRUCTURING OF CAPITAL ARRANGEMENTS, AND THE SOLVING OF TECHNICAL DIFFICULTIES AT THE MINE, GOB CONFIDENCE COULD BE RESTORED. HE DESCRIBED THE PRESENT GOB MOOD AS ONE OF "RESTRAINED CONTENTMENT".

5. WHEN ASKED WHETHER THERE WAS ANY SUBSTANCE TO 1976 RUMORS THAT AMAX WAS PREPARING TO GOUT OF SELEBI-PIKWE, BAYLISS AND THOMAS GAVE A FLAT "NO". GIVEN AMAX INVESTMENT OF DOLLARS 85,000,000, CONTINGENT LIABILITIES OF DOLLARS 30-40,000,000 AND THE ADDITIONAL DOLLARS 30-40,000,000 WHICH AMAX WOULD HAVE TO PUMP INTO PROJECT OVER NEXT FEW YEARS, THEY DECLARED THAT AMAX COULD NOT THINK OF WALKING AWAY FROM THAT KIND OF MONEY. MORE-OVER, THE AMAX REFINERY AT PORT NICKEL, LE., DEPENDED HEAVILY ON THE MATTE.

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6. FINALLY, AMAX REPS HAD LEARNED FROM GOB AND AMAX HERE IN GABORONE OF REVOCATION OF GSP ON COPPER-NICKEL MATTE AND OF THE POSSIBILITIES OF NEGATING THE TARIFF THROUGH DRAWBACKS. THEY WERE PLEASED WITH THE OUTCOME.

7. COMMENT: BAYLISS PROMISED EMBASSY COPY OF AGREEMENT ONCE IT IS SIGNED BY ALL PARTNERS. WILL POUCH TO DEPARTMENT WHEN RECEIVED. TOO, RE PARA 6 ABOVE, EMBASSY GRATIFIED AT DEPARTMENTS'S TIMELY AND HELPFUL RESPONSES TO OUR INQUIREIES ON THE RECOVATION OF GSP. WE HOPE THAT OPTIMISM OF AMAX REPS CONCERNING IMPROVED GOB DISPOSTION ON SELBI-PIKWE IS JUSTIFIED. WILL ADVISE.

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